UPDATE 30 November 2016

BRITISH EMPIRE TRUST
INVESTING IN UNDERVALUED ASSETS

Manager's Comment

BTEM's NAV fell by 2.8% over November in a month where returns in local currency were swamped by a strengthening Pound on growing expectations of a "soft" BREXIT. Against Sterling, the Euro fell by 5.4%, the Norwegian Krone by 5.0%, the Swedish Krona by 4.3%, the Japanese Yen by 10.0%, and the US Dollar by 2.2%. This follows an October in which we had benefitted from Sterling weakness, and a pattern of currency volatility is becoming well established.

Our top position, AP Alternative Assets (AAA), was by far our largest contributor as its sole holding - fixed annuity specialist Athene Insurance - officially launched its IPO and AAA shares rose 16% (in USD) in response to add 89bps to our NAV. AAA is distributing 12.5% of its stake in Athene to AAA shareholders which can then be sold at the IPO. The remaining stake will be distributed in three separate tranches 7.5 months, 12 months, and 15 months after the IPO. Athene's indicative IPO pricing range values the company at $7-$7.8 billion and equates to a value per AAA share of $40-$44 after adjusting for carried interest compared to AAA's share price of $37 at month-end. We foresee further upside to Athene shares from this indicative level given the relatively modest price/book multiple (1.2x-1.3x) it represents for a company with long-term low cost liabilities locked in place that have helped generate high historic ROEs, and with a management team that has demonstrated a consistent ability to add value through M&A. Athene also benefits from the investment management skills of Apollo and an advantageous tax structure, has a robust balance sheet with over $1bn of excess capital and no financial leverage, and has grown book value per share at a compound rate of 28% annually over the last 5 years. The election of Donald Trump has proved very timely for Athene, with its listed life insurance peer group up 16% since the US election on the back of a sharply higher 10y Treasury yield and speculation that regulation affecting fixed indexed annuity players such as Athene may be rolled back.

"Better Capital announced it was in exclusive discussions for the sale of Gardner Aerospace"

Riverstone Energy (RSE) was a solid contributor on the back of a narrowing discount, in from 20% to 15%, helped by a stronger oil price from the middle of the month onwards and steady buying from the manager's reinvestment of their recent performance fee proceeds. Towards the end of the month, RSE's second largest and sole-listed holding Centennial Resource Development (CDEV) announced the acquisition of 35k contiguous net acres adjacent to their existing acreage in the Delaware Permian basin. The deal, which compares favourably in valuation terms to recent transactions in the basin, almost doubles CDEV's acreage and drilling locations. To fund the deal, Riverstone will purchase $430m of newly-issued CDEV shares (of which we expect RSE to provide a material portion) with the new CDEV shares being issued at a fixed price of $14.54. This will be immediately accretive to RSE's NAV given CDEV's shares ended the month at $18.20 and have since risen higher.

The Board of RSE is seeking approval for an amendment in its investment policy to allow it to increase further its investment in top holding Canadian International Oil Corporation (CIOC) through the exercise of CIOC warrants, and we are supportive of this change given what we believe to be the compelling prospects and conservative valuation of CIOC. The additional investments in CDEV and CIOC have two key consequences. One possibly overlooked feature of RSE has been the growing concentration of its portfolio, and we estimate that CIOC and CDEV could account for over 60% of RSE's NAV after new investments are completed. With CIOC producing quarterly reports and CDEV listed, there is far more transparency on the portfolio than previously and compared to most other listed private equity vehicles. Secondly, RSE's cash will be much depleted and this could lead the managers to seek near-term exits for other assets (note that at 2.3 years, Riverstone's average holding period is significantly shorter than that of private equity buyout funds).

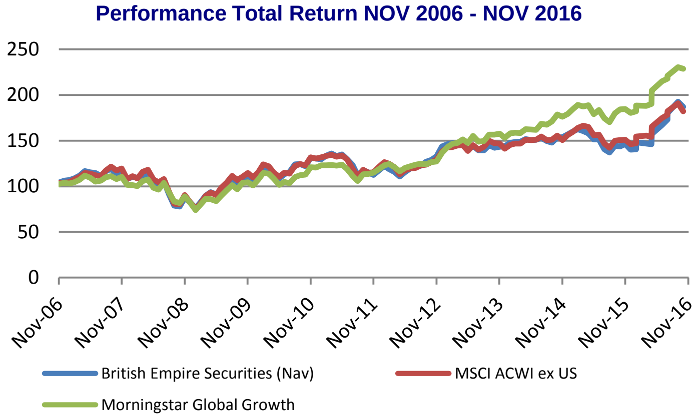
Dolphin Capital Investors (DCI), the AIM-listed luxury hotel and resort developer, was our third largest contributor during the month after announcing the sale of their Playa Grande resort in the Dominican Republic for €140m, 10% below the project's carrying gross asset value. The acquirer, Third Point, will assume all Playa Grande's debts which amounted to €75m, releasing DCI from senior project loan guarantees and project mezzanine financing, which totalled €53m of the €75m. The removal of this €53m means DCI itself does not have any further recourse loans or guarantees, with all remaining debt at the project levels. The consideration of €64m will be paid through €4.7m of cash, and the retirement of all the Company's €50m and US$9.17m 2018 convertible bonds, most of which were held by Third Point. This sale follows on from the September announcement of DCI's sale of its 49.75% stake in Aristo Developments, the Cypriot villa developer.

Investment Objective: To achieve capital growth through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying net asset value.

Performance Total Return

This investment management report relates to performance figures to 30 November 2016.

	Month	Financial Yr* to date	Calendar Yr to date
BTEM NAV[1]	-2.8%	4.2%	29.7%
MSCI ACWI Ex US[3]	-4.5%	0.1%	20.8%
MSCI ACWI Ex US Value[1]	-3.1%	3.7%	24.7%
MSCI ACWI[1]	-1.5%	3.1%	25.2%
Morningstar Global Growth[1]	-2.6%	0.4%	17.5%



Top Ten Equity Holdings

Holding	%
AP Alternative Assets	7.8
Wendel	6.1
Investor AB-A SHS	5.6
NB Private Equity Partners	5.4
JPEL Private Equity	5.4
Vietnam Phoenix Fund	5.1
Toyota Industries	4.9
Riverstone Energy	4.9
Aker ASA	4.8
AB Kinnevik - B SHS	4.8
TOTAL	54.8

After month end, the Company posted notice of an EGM at which a resolution would be proposed to determine the future of the company, which was part of the Company's admission document on initial listing. The Company proposes shareholders vote against the continuation of the Company in the current form and vote to implement a revised strategy in which the Company will look to sell all remaining assets in a controlled, orderly manner and to return proceeds from asset sales as realisations progress, with an aim to complete this by no later than the end of 2019. A new Investment Management Agreement has also been proposed which reduces base fees significantly (from current €8.5m to €4m by 2019) and resets performance fees so as to incentivise the current managers to return cash to shareholders as quickly as possible at realistic valuations. When factoring in new incentive fees and modelling large haircuts to official valuations to achieve sales, we still believe the company is trading on a near 50% discount to NAV and thus are fully supportive of the Directors' proposals.

Better Capital announced it was in exclusive discussions for the sale of Gardner Aerospace for a price that will equate to an uplift of 10% (after performance fees and costs) over the previous carrying value at the time the deal was announced. If the acquisition completes, we would expect proceeds of just over 100p per share to be returned to shareholders. Given BCAP's share price of 99.5p at the end of the month and other assets in the fund valued at an additional 23p there is clearly considerable scepticism the deal will be concluded. This is somewhat understandable given (i) the identity of the buyer, a Chinese-listed mineral exploration and production company (Shaanxi Ligeance Mineral Resources Co) looking to acquire Gardner on behalf of its aerospace components subsidiary (Chengdu Aerospace Superalloy Technology (CAST)) and (ii) the projected completion date of end of Q1-17.

There are four key hurdles before the deal can complete: a consultation with the French Works Council (strictly a consultation process and the Works Council have no right of veto), approval from the French Ministry of Economics (the deal fits in with Airbus' ambitions to establish a supply chain in Asia so we have few concerns), approval from SLMR shareholders (the Chairman owns a 25% stake), and compiling four years of Gardner accounts to a different year-end in Chinese GAAP (time consuming yet eminently achievable). While there is an unfortunate record of deals involving Chinese buyers falling through and sometimes difficulty in moving capital out of the country, we take some comfort from the announcement by the buyer that $50m has been placed into an escrow account (albeit with little detail on terms) and the long experience of some of the key executives at CAST in previous roles at leading global aerospace firms. If the deal does complete, we anticipate further material upside from our investment in BCAP that has already generated a 27% IRR to date since our initial investment in Dec-14.

Our biggest detractor was Hudson's Bay (HBC), which reduced our NAV by 40bps after a downgrade of their full year forecasts. HBC is suffering alongside much of the North American retail landscape from a myriad of headwinds, and its European operations that had previously offered protection have seen sales impacted by warm weather in Germany. In early December, the share price fell further following Q3 results that, although in line with updated guidance mentioned earlier, missed consensus forecasts as like-for-like sales fell 2% over the nine months.

Due to the number of transactions carried out by the company over the last twelve months, quarter by quarter results have proven difficult to forecast. However, as these begin to roll off, we should see comparable numbers come through that will allow the market to better judge operating performance and cost improvements implemented by the company. However, we are cognisant that the company needs to work hard to improve operations, which we believe they are doing through a number of initiatives.

We maintain our view that the vast majority of the value in this company is in its owned real estate portfolio. HBC own many of the properties from which they operate, in JVs and directly, which are typically in down-town locations on prime retail pitches - their most iconic building is the Saks 5th Avenue store. We have spoken with management since their Q3 results were announced and remain convinced they are committed to realising the value embedded in their real estate portfolio while working hard to improve operations. We added to our position in November and at the start of December.

Over November, we recycled some capital out of names where discounts had narrowed into those where we see greater upside. Sales outweighed purchases over the month, and we ended the month 106% invested.

Major Movers
(in local currency)

Largest Risers	1 month TR%	Percent of Assets
DOLPHIN CAPITAL INVESTORS	33.3%	0.6%
AP ALTERNATIVE ASSETS LP	15.6%	7.8%

Largest Fallers	1 month TR%	Percent of Assets
EF REALISATION CO LTD	-12.5%	0.2%
HUDSON'S BAY CO	-10.4%	3.8%

Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR[2]	625.0	-1.6	37.4	34.6	56.1
Net Asset Value TR[1]	689.5	-2.8	30.2	30.7	60.4
MSCI ACWI ex US TR[3]		-4.5	21.0	23.9	58.5
MSCI ACWI ex US Value[1]		-3.1	24.3	20.5	55.3
MSCI ACWI TR[1]		-1.5	25.6	45.6	97.7
Morningstar Global Growth TR[3]		-2.6	17.8	38.9	92.1

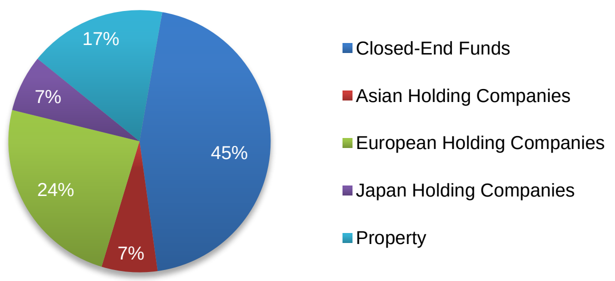
Fiscal Yr Total Returns (%)	2016	2015	2014	2013	2012
Price[1]	34.3	-9.5	8.9	13.8	6.2
Net Asset Value[1]	31.0	-8.3	6.8	13.1	9.6
MSCI ACWI ex US (£)[3]	28.0	-5.6	5.1	16.6	11.0
MSCI ACWI ex US Value[1]	25.5	-9.8	5.7	17.1	10.2
MSCI ACWI[1]	31.3	0.4	11.8	18.0	17.4
Morningstar Global Growth[3]	26.9	3.7	8.7	18.9	13.7

Capital Structure	
Ordinary Shares	160,014,089
Shares held in Treasury	36,245,924
8 ⅛% Debenture stock 2023**	£15,000,000
4.184% Series A Sterling Unsecured Note 2036	£30,000,000
3.249% Series B Euro Unsecured Note 2036	€30,000,000

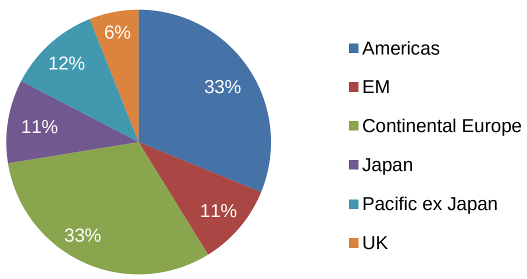
Gross Assets/Gearing	
Gross Assets	£930mil.
Debt par value	£70.2mil.
Actual Gearing (Debt less cash divided by net asset value)	6.3%

1 Source: Morningstar. All NAV figures are cum-fair values.
2 Source: Morningstar. Share price total return is on a mid-to-mid basis, with net income re-invested.
3 From 1st October 2013 the lead benchmark was changed to the MSCI ACWI ex US (£) Index. The investment management fee was changed to 0.7% of net assets and the performance related fee eliminated.
* British Empire Trust financial year commences on the 1st October. All figures published before the fiscal results announcement are AVI estimates and subject to change.
** Last audited figure updated annually

Sector Breakdown
(% of invested assets)



Risk Region Breakdown
(% of net assets)



(Liquidity -6%)

Further Information

Investment Manager – Joe Bauernfreund, AVI Ltd.
+44 20 7659 4800 info@assetvalueinvestors.com

The share price can be found under 'INVESTMENT COMPANIES' in The Financial Times, The Times, The Daily Telegraph, The Scotsman and The Evening Standard.

Information may be found on the following websites.

www.british-empire.co.uk or www.assetvalueinvestors.com

IMPORTANT INFORMATION

Risk Factors you should consider before investing

Investment in the British Empire Trust plc (the "Trust") carries risks, which are more fully described in the Key Features Document. Listed below are some of the key risks:

Investors are reminded that past performance is not a guide to future performance and that their capital will be at risk and they may therefore lose some or all of the amounts that they choose to invest in the Trust.

The Trust utilises gearing techniques (leverage) which exaggerate market movements both down and up and which could mean sudden and large falls in market value.

Movements in exchange rates can impact both the level of income received and the capital value of your investment. If the currency of your residence strengthens against the currency in which the underlying investments of the fund are made, the value of your investment will reduce and vice versa.

As with all stock exchange investments the value of investment trust shares will immediately fall by the difference between the buying and selling prices.

Where investments are made in emerging market, unquoted securities or smaller companies, their potential volatility may increase the risk to the value of, and the income from the investment.

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